

- Inflation rate drops to 2.0% in November as energy prices ease
- Retail sales flat in October; wholesale sales also weak, despite gains at national level
- Visitor entries drop off in October

Population

- BC's population grew 1.3% during the twelve-month period ending October 1st, 2005, rising to 4,271,210. This was the second-highest population growth among the provinces, after Alberta (+2.0). Ontario (+1.1%) was the only other province where the population grew by at least one percent during this period. The Canadian population expanded 1.0%, rising to 32,378,122.

During the third quarter of 2005, BC gained a total of 13,042 persons as a result of net migration from all sources. This was notably higher than the 10,625 and 9,660 migrants in the previous third quarters of 2004 and 2003, respectively. The increase in total net migration for the latest quarter was a result of an increase in international migration. Net interprovincial migration was marginally lower than the third quarter of 2004. When natural increase (births minus deaths) is added to the migration figures, BC's population grew by 16,688 people between July 1, and October 1, 2005.

Data Source: Statistics Canada

Prices

- British Columbia's year-over-year inflation rate dropped to 2.0% in November, the lowest it has been since the end of the summer. The slower growth in the all-items consumer price index (CPI) was largely due to energy prices, which moderated after peaking earlier in the fall. The cost of energy was up 8.5% from November 2004, and while this represents a significant year-over-year increase, it is well below the rates seen in recent months, when the annual inflation rate for energy products was in the double digits. Excluding energy, the province's inflation rate would have been just 1.4% in November.

The cost of energy remains high compared to a year ago. Consumers paid 12.7% more for gasoline than they did in November 2004, and fuel oil prices were up nearly a third (+29.2%). The price of piped gas was unchanged from October, but was still 16.1% higher than in November 2004.

Consumers paid 4.3% more for private transportation in November, partly due to fuel prices, but also because the cost of vehicle parts and maintenance increased 3.3%. Public transportation was also more expensive (+5.0%), as fares for bus, taxi and intercity transportation were all up from twelve months earlier.

Grocery bills edged down 0.2%, but restaurant meals were more pricey (+3.4%). Prices for clothing & footwear dropped (-2.1%) for a second straight month but most other goods and services were higher than in November 2004. Alcohol & tobacco (+1.9%), household operations & furnishings (+1.6%) and recreation, education & reading materials (+1.1%) all took a bigger bite out of the household budget.

Data Source: Statistics Canada

- The Canadian inflation rate was 2.0% in November, the same as in BC. As was the case here, energy (+8.8%) was a big factor driving up the overall price level, accounting for 0.6 percentage points of the total increase (the cost of other goods and services was up 1.4% in November). Residents of Ontario and Quebec also saw prices rise 2.0% during the twelve-month period ending in November. Alberta (+2.7%) had the highest inflation rate in the country. Gas and oil prices were a major factor in the increase.
- In Vancouver (+1.8%), prices rose only modestly during the twelve-month period ending in November. In contrast, Victoria's inflation

Data Source: Statistics Canada

Did you know...

The first electric Christmas tree lights were telephone switchboard lights

rate was higher than in most other urban centres. Edmonton (+2.7%), Calgary (+2.5%) and Charlottetown (+2.3%) were the only cities with similarly high inflation rates.

Data Source: Statistics Canada

The Economy

- **Sales by retailers in the province edged down (-0.1%, seasonally adjusted) in October, after dropping 0.5% in the previous month.** BC and Saskatchewan (-0.6%) were the only provinces where sales declined. Canadian sales recovered (+0.6%) after two months of sluggish growth, boosted by solid gains on the east coast, and in Ontario (+1.0%) and Manitoba (+2.0%). Motor vehicle dealers contributed to the strong growth on the national scene.

Data Source: Statistics Canada

- **Wholesale sales in BC were also weak in October, contracting 1.1% (seasonally adjusted) after two months of growth.** Wholesalers in this province did not fare well compared to those in other parts of the country. Canadian sales advanced 2.2%, with six provinces posting increases. Sales in Ontario (+3.3%), Alberta (+1.8%) and Quebec (+1.7%) were well above September levels. At the national level, sales by wholesalers of machinery and electronic equipment, personal and household goods were the main reason for the robust growth.

Data Source: Statistics Canada

Tourism

- **The number of travellers entering Canada via BC borders fell (-4.0%, seasonally adjusted) for the fourth time in five months in October.** Entries from the US were down significantly (-4.6%) as Americans made fewer same-day (-4.2%) and overnight (-3.4%) trips north of the border into BC. The US accounts for about 80% of all traveller entries into the province.

Travel to BC from overseas countries was also down (-2.0%) in October. Asian entries, accounting for about half of the total, were down 1.6% while entries from Europe (the next biggest source of visitors to BC) fell even more (-3.2%). The number of travellers from Oceania plunged 7.9%.

Canadian entries were off 0.9% in October, as travel from both the US (-0.6%) and overseas (-2.5%) slowed.

Data Source: Statistics Canada

Santa Survey

- **One in three (6.9 million) Canadian adults say they believe in Santa Claus.** Older adults (55+) are more likely (32%) to be believers than their younger compatriots (only 25% of those aged 18-34 say they think the jolly old elf really does exist). More women (33%) than men (24%) listen for the sound of reindeer hooves on the roof every Christmas Eve.

Most (70%) Canadian adults, including many of the skeptics, say they approve of Santa's overall performance. His approval rating is highest in BC, where 47% strongly approve, and another 29% somewhat approve, of his performance. However, there are quite a few Scrooges in the province: 10% of adults strongly disapprove of Santa's activities...perhaps because they got some (Northeast) coal in their stockings last year?

Data Source: Ipsos-Reid Survey, December 2005
(speculation courtesy of BC Stats)

*Best wishes for a Merry Christmas and Happy
New Year from all of us at BC Stats!*



*We're taking a break for the holidays.
The next issue of Infoline will be released
January 6, 2006.*

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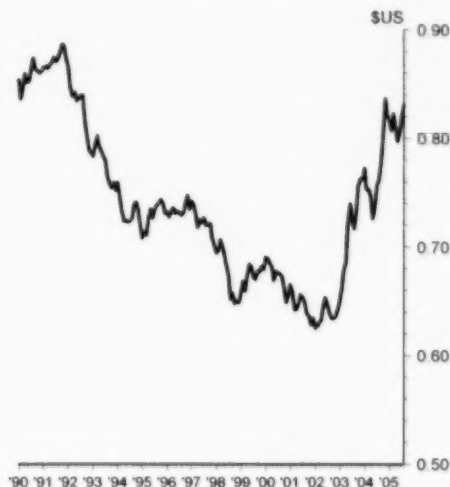
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Effects of Rising Canadian Dollar Mixed for Small Business

After a decade of decline against the American dollar, the Canadian loonie made an abrupt turn in 2003 and started a meteoric rise, gaining a full 20 cents in value. The effect this has had on small businesses has been mixed. For some businesses, the rising dollar has been positive, while for others it has posed a significant threat.

The Canadian loonie has appreciated substantially against the American greenback in the last few years

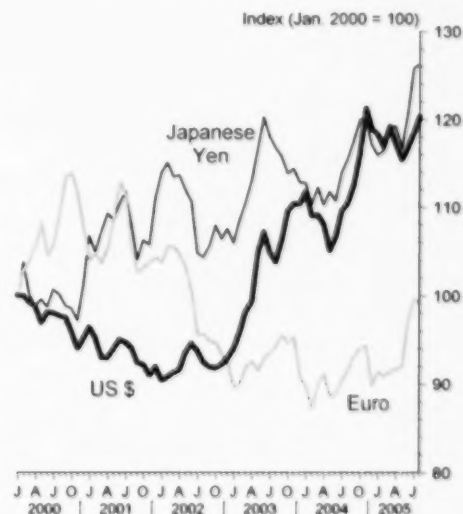


Small businesses that export are particularly concerned with the rapid appreciation of the dollar. For firms that value their goods in Canadian currency, the higher dollar means that their goods are now more expensive for American buyers. For businesses that have their merchandise priced in American dollars, the loonie's appreciation has resulted in a drop in revenue. If the price of their goods remains unchanged when priced in American currency, it means that they are getting less Canadian funds in the transaction. Since most of these businesses have to pay their expenses, such as labour costs, in Canadian dollars, this translates into a revenue loss.

The growth of the Canadian dollar compared to the US greenback has not necessarily been matched in relation to other currencies. While the loonie has also appreciated against some other currencies, such as the Japanese Yen, it has been flat or even declined relative to others, such as the European Union's Euro. However, since the United States is the primary destination for goods exported from Canada, regardless of the size of business of the exporter, the rising value of the Canadian dollar relative to its American counterpart is a significant obstacle to overcome. For small businesses, in particular, there are fewer opportunities to shift some of their business to other destinations.

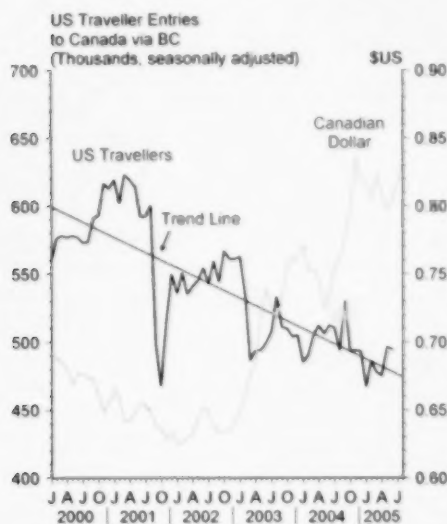
It is not only businesses that export merchandise that are negatively affected by the rising dollar. Those that export services are also feeling the pinch. For example, the tourism sector is particularly vulnerable to large shifts in the value of the dollar. Over

The Canadian dollar has appreciated against some currencies, but not others



the last few years there has been a definite downward trend in Americans visiting British Columbia. The dollar hasn't been the only reason for the decline - 9/11 resulted in a temporary sharp drop in visitors, SARS had a short-term effect and gasoline prices are likely partially to blame - but the value of the dollar has definitely played a part in the falling number of visitors.¹

Fewer Americans have been visiting BC lately



Source: BC Stats

British Columbia's television and film sector has also been struggling to deal with the effects of the rising dollar, with American film companies threatening to film elsewhere due to rising costs largely resulting from the exchange rate.

For those businesses that export goods and/or services the rapid increase in the value of the Canadian dollar is having a negative influence, particularly for small

businesses, since their profit margins tend to be smaller and they are less able to absorb declining revenues.

However, there are some small businesses that see the higher dollar as a positive thing. Businesses that import significant amounts of goods and services from the United States benefit from the higher Canadian dollar because it makes those goods less expensive. For retailers that sell a lot of imported goods, this means that they can offer their customers lower prices, which will likely translate into greater sales. The higher dollar is also a benefit to businesses that use imported goods as inputs into their production process, whether those goods are parts of a final product, or machinery and equipment used to produce that product.

This latter point can also be of benefit to exporters and can mitigate some of the effects of lost revenue from export sales. When the Canadian dollar was sitting at historic lows, the cost of importing machinery and equipment was at its peak and this may have prevented some businesses, particularly small businesses with a small profit margin, from upgrading to equipment that could improve productivity. The higher dollar means that this equipment is now more affordable and some companies may be able to offset revenue losses by improving their productivity and thereby lowering costs.

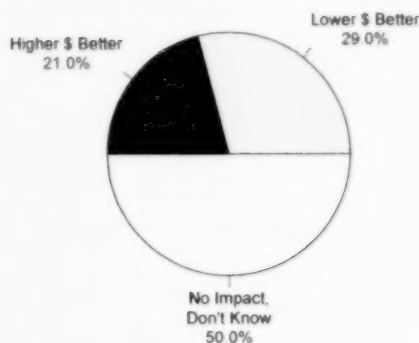
Other businesses that may benefit from a higher valued dollar are those that have large amounts of debt denominated in US currency. For these companies, the rising dollar will allow them to pay those debts off quicker since they can make the same payments as before (in Canadian dollars) and actually pay off a larger portion of the debt.

To emphasize the difference in the impact of a higher or lower dollar, one needs to look no further than a Canadian Federation

¹ See the June 2005 issue of the *Tourism Sector Monitor* for a discussion of the results of a statistical regression that show a definite relation between the dollar's value and the number of US tourists visiting BC.

of Independent Business survey of its members in 2003.² This survey found that 29% of respondents felt that a lower dollar was better for them, while 21% were in favour of a higher dollar. Half of the respondents either felt the value of the dollar had no impact or they weren't sure what the impact was.

Small and medium-sized businesses are split on whether or not a higher dollar is a good thing



Source: Canadian Federation of Independent Business

A survey of business leaders performed by COMPAS in November 2004 showed a similar split for all businesses regardless of size.³ With the dollar at 83 cents, a third (33%) of those business leaders surveyed suggested it should go higher, 36% wanted to see it go lower and the remainder either wanted it to stay the same or had no opinion. The mean value favoured for the Canadian dollar was 83 cents US with those wanting a higher dollar preferring one at 91 cents US and those looking for a lower dollar suggesting 76 cents US was a good level.

Based on these results, it appears that the current value of the dollar of around 85 cents US still has room to move up for some business owners, but is already far too high for others. In other words, no matter what happens with the exchange rate, there will be small businesses that win and those that lose. For those for which a higher dollar is harmful, the best they can hope for is that the pace of change is gradual enough that they can make the necessary adjustments to remain competitive and stay in business.

² Mallett, Ted. *Quarterly Business Barometer, 2003* No. 2, Canadian Federation of Independent Business (June 2003).

³ The Canadian Dollar: A BDO Dunwoody/Chamber Weekly CEO/Business Leader Poll by COMPAS in the Financial Post for Publication November 15, 2004.

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 also on the Internet at www.bcstats.gov.bc.ca



BC at a glance . . .

POPULATION (thousands)		
	Oct 1/05	% change on one year ago
BC	4,271.2	1.3
Canada	32,378.2	1.0
GDP and INCOME		
(BC - at market prices)	2004	% change on one year ago
Gross Domestic Product (GDP) (\$ millions)	157,241	7.7
GDP (\$ 1997 millions)	139,205	4.0
GDP (\$ 1997 per Capita)	33,129	2.8
Personal Disposable Income (\$ 1997 per Capita)	20,182	1.4
TRADE (\$ millions, seasonally adjusted)		
		% change on prev. month
Manufacturing Shipments - Oct	3,583	1.5
Merchandise Exports - Oct	3,157	1.4
Retail Sales - Oct	4,263	-0.1
CONSUMER PRICE INDEX		
(all items - 1992=100)	Nov '05	12-month avg % change
BC	126.2	2.0
Canada	128.2	2.2
LABOUR FORCE (thousands)		
(seasonally adjusted)	Nov '05	% change on prev. month
Labour Force - BC	2,279	0.6
Employed - BC	2,167	0.8
Unemployed - BC	112	-2.9
		Oct '05
Unemployment Rate - BC (percent)	4.9	5.1
Unemployment Rate - Canada (percent)	6.4	6.6
INTEREST RATES (percent)		
	Dec 21/05	Dec 22/04
Prime Business Rate	5.00	4.25
Conventional Mortgages - 1 year	5.80	4.80
- 5 year	6.30	6.05
US/CANADA EXCHANGE RATE		
	Dec 21/05	Dec 22/04
(avg. noon spot rate) Cdn \$	1.1695	1.2413
US \$ (reciprocal of the closing rate)	0.8563	0.8055
AVERAGE WEEKLY WAGE RATE		
(industrial aggregate - dollars)	Nov '05	% change on one year ago
BC	717.66	2.4
Canada	712.77	3.9

SOURCES:

Population, Gross Domestic Product, Trade, Prices, Labour Force, Wage Rate } Statistics Canada
 Interest Rates, Exchange Rates: Bank of Canada Weekly Financial Statistics
 For latest Weekly Financial Statistics see www.bankofcanada.ca

Population estimates 2005

Municipal and regional district population estimates are a basic measure that feeds into decisions around funding, services, and much more. This release contains revisions for the period back to 2002.

Municipal and regional district population 2005

<http://www.bcstats.gov.bc.ca/data/pop/pop/estspop.asp> [continued]

Season's Greetings



Released this week by BC STATS

- Consumer Price Index, November 2005
- Migration Highlights, Third Quarter 2005
- Immigration Highlights, Third Quarter 2005
- Business Indicators, December 2005
- Current Statistics, December 2005

Next week

- Infoline 2005 Index
- No subscription releases